

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

THE APPLICATION OF OWEN ELECTRIC	)	
COOPERATIVE, INC. FOR AN ORDER	)	
ISSUING A CERTIFICATE OF PUBLIC	)	
CONVENIENCE AND NECESSITY AND FOR	)	CASE NO. 90-166
THE AUTHORITY TO BORROW A SUM OF	)	
\$2,236,458 FROM THE NRUCFC AND TO	)	
EXECUTE ITS NOTES AND MORTGAGES TO	)	
SECURE SUCH LOAN	)	

**O R D E R**

Owen Electric Cooperative, Inc. ("Owen") filed its application on June 13, 1990 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow funds, and to execute notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$7,192,645 and will be financed by a \$5,046,000 loan from the Rural Electrification Administration ("REA") and a \$2,236,458<sup>1</sup> loan from the National Rural Utilities Cooperative Finance Corporation ("CFC").

---

<sup>1</sup> The amount borrowed from CFC includes the purchase of capital term certificates, in an amount equal to 4 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. Based on the application, the purchases required of Owen for this loan total \$89,458. The application indicated the total amount of the REA and CFC loans equaled \$7,193,000.

On September 7, 1990, the Commission issued an Interim Order granting Owen a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor CFC had yet agreed to make them. On January 31, 1991, Owen filed a copy of correspondence received from REA approving its loan. Notice of CFC approval was filed February 20, 1991. The correspondence from REA indicated that a loan of \$4,960,000 had been approved, instead of the \$5,046,000 Owen had indicated in its applicaiton. The correspondence from CFC indicated a similar reduction, with a loan of \$2,198,958<sup>2</sup> approved by CFC instead of the \$2,236,458 shown in the application. On March 11, 1991, Owen provided an explanation concerning the changes made by REA to its two-year work plan and loan request.

#### FINDINGS AND ORDERS

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Owen, is necessary and appropriate for and consistent with the proper performance by Owen of its service to the public, and will not impair its ability to perform that service.

---

<sup>2</sup> Based on the REA revisions, the capital term certificate purchases required of Owen for its CFC loan were reduced to \$87,958. The revised total amount of the REA and CFC loans equals \$7,071,000.

2. Owen is capable of executing its notes as security for the loan as stated herein.

3. Owen should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Owen should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Owen's application.

6. Owen should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Owen's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Owen be and it hereby is authorized to borrow \$2,198,958 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Owen, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Owen be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Owen shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 13th day of March, 1991.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director